

Message Text

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PAGE 01 PARIS 19464 01 OF 02 161955Z

71

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AGR-20 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 STR-08

DODE-00 PM-07 H-03 L-03 NSC-10 PA-03 PRS-01 SS-15

USIA-12 INT-08 TAR-02 RSR-01 /207 W

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R 161839Z JUL 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1833

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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R.O. 11652: N/A

TAGS:

SUBJECT: FRENCH REACTION TO US AGRICULTURAL EXPORT CONTROLS

REF: STATE 135419

1. US EXPORT RESTRICTIONS ON SOY BEANS, SOYBEAN MEAL AND
SUBSTITUTES HAVE SPARKED STRONG REACTIONS IN FRANCE. CURRENT
SUPPLY SITUATION IS STILL CLOUDY AND NO ONE HAS ANY HARD
EVIDENCE THAT US MEASURES WILL RESULT IN SERIOUS SHORTAGES IN THIS
COUNTRY. HOWEVER, BECAUSE OF HEAVY DEPENDENCE ON US SOY BEANS,
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PAGE 02 PARIS 19464 01 OF 02 161955Z

FRENCH FEEL VULNERABLE, AND GOF, FARM SPOKESMEN, TRADE AND

PRESS HAVE ALL RAISED SPECTRE OF PRICE INCREASES AND SERIOUS SHORTAGES DEVELOPING OVER NEXT FEW MONTHS. THERE ARE NO SIGNIFICANT CHANGES IN CROP PROSPECTS FOR CEREALS WITH GOOD HARVEST EXPECTED THIS YEAR. TO BEST OF OUR KNOWLEDGE THERE HAVE BEEN NO RECENT NEGOTIATIONS OR SIGNING OF MAJOR COMMODITY SALES CONTRACTS. SINCE FRENCH STOCKS ARE AT RELATIVELY LOW LEVELS, WE WOULD NOT ANTICIPATE ANY MAJOR SALES.

2. GOF REACTIONS: WE HAVE REPORTED PREVIOUSLY VARIOUS GOF PUBLIC AND PRIVATE REACTIONS TO US MEASURES. PARIS 17970 REPORTED STATEMENTS OF CONCERN ABOUT "SUDDEN AND DRASTIC" US ACTION BY PRESIDENT POMPIDOU'S CHIEF ECONOMIC AND FINANCIAL ADVISOR. AS REPORTED IN PARIS 19158, JULY 11 GOF COUNCIL OF MINISTERS DISCUSSED SOY BEAN SITUATION AT SOME LENGTH. PRESIDENT POMPIDOU USED THAT OCCASION TO REITERATE HIS BELIEF THAT IT IS A MISTAKE FOR EUROPE TO DEPEND TOO HEAVILY ON FOREIGN SOURCES FOR VITAL COMMODITIES. MOST RECENTLY, MINISTER OF AGRICULTURE CHIRAC STATED PUBLICLY THAT FRENCH STOCKS OF SOY BEAN MEAL WILL BE 25 PERCENT BELOW NORMAL LEVELS THROUGH NOVEMBER AND THAT DOMESTIC MEAT PRODUCTION WILL SUFFER. IN PRIVATE CONVERSATIONS ON SOY BEAN ISSUE, OFFICIALS IN DREE, MINISTRY OF ECONOMY AND FINANCE, AND ADMINISTRATION HAVE STRESSED GREAT GOF CONCERN OVER US MEASURES AND POSSIBLY SEVERE SHORTAGE OF VEGETABLE AND PROTEIN IN FRANCE OVER THE NEXT SEVERAL MONTHS.

3. TRADE REACTIONS: AGATTACHE OFFICE HAS RECEIVED CALLS EXPRESSING STRONG PROTESTS AND CONCERNS FROM MAJOR TRADE ASSOCIATIONS AND IMPORTERS WHO REPRESENT FEED AND OIL SEED INTERESTS AS WELL AS COTTON. REPORTS FROM WASHINGTON GIVING ALLOCATIONS OF SOYBEANS AND MEAL FOR WEEK JULY 4-11 HAVE CAUSED ALARM BECAUSE OF LOW ALLOCATIONS TO FRANCE IN RELATION TO THOSE FOR GERMANY AND OTHER COUNTRIES. VARIOUS NATIONAL FEDERATIONS OF POULTRY AND PORK PRODUCERS AS WELL AS GROUPINGS OF ANIMAL FEED PRODUCERS HAVE ISSUED PRESS RELEASES STATING THAT THE CURRENT SITUATION IS CRITICAL. THE FEDERATION OF POULTRY AND EGG PRODUCERS HAS STATED THAT THE SOY BEAN MEAL DEFICIT FOR POULTRY FEED FOR THE NEXT THREE MONTHS WILL BE SOME 135,000 TONS AND HAS ASKED THE GOF TO: (A) INCREASE THE DENATURATION PREMIUM FOR MILK POWDER TO BE USED IN FEED; (B) CONDUCT A STUDY OF PROTEIN SOURCES IN THIRD COUNTRIES; AND (C) EMBARGO EXPORTS LIMITED OFFICIAL USE

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PAGE 03 PARIS 19464 01 OF 02 161955Z

OF FRENCH PROTEIN SOURCES. THE BRITTANY FEED AND POULTRY PRODUCERS ASSOCIATION CRITICIZED GOF APATHY IN THE FACE OF THE CURRENT SITUATION WHICH THEY SAID WOULD CAUSE PRICE INCREASES OF 43-45 PERCENT FOR MEAT AND 25 PERCENT FOR POULTRY AND EGGS.

5. PRESS REACTION: IT IS DIFFICULT TO FIND WHAT ONE COULD CONSIDER "RESPONSIBLE" PRESS ANALYSIS OF THE SOY BEAN ISSUE. FOR EXAMPLE, NORMALLY MODERATE "LE FIGERO" ON JULY 12 SAID: "TO

DEPEND ON NATIONS ABROAD IS WHAT THE US HAS ALWAYS ASKED EUROPE TO DO. MEANWHILE THOSE CHAMPIONS OF FREE TRADE HAVE JUST CLAMPED QUOTAS ON THEIR EXPORTS OF SOYBEANS AND ON SOME FORTY SUBSTITUTES FOR THEM, AND ARE SPEAKING OF TAKING THE SAME MEASURE FOR CORN. THREE REASONS FOR THIS HISTORIC DECISION: THE OFFICIAL ONE, WHICH IS TO CONTAIN THE RISE OF AMERICAN FOOD PRICES. A SEMI-OFFICIAL ONE, WHICH IS TO SCUTTLE THE COMMON MARKET FARM POLICY, THE ONLY CONCRETE ACHIEVEMENT OF EUROPE. MR. NIXON'S STAGGERING BLOWS BY PROXY OF THE DOLLAR AND THE D-MARK HAVE ALREADY MANAGED TO CREATE DANGEROUS CRACKS IN THE COMMON MARKET. WITH SOYBEANS, THE SECOND ROUND IN THE ECONOMIC WAR IS INTENDED TO SLOW DOWN MEAT PRODUCTION, WHICH THE NINE ARE ALREADY SHORT OF. A THIRD REASON, WHICH IS NOT EXCLUSIVELY AMERICAN, STEMS FROM THE AGRICULTURAL SITUATION IN THE USSR. THE HUGE RUSSIAN PURCHASES OF GRAINS AND SOYBEANS A FEW MONTHS AGO HAVE REVERSED THE SITUATION ON WORLD MARKETS: THERE WERE SURPLUSES, NOW THERE IS A SHORTAGE." IN GENERAL, THE FRENCH PRESS HAS STRESSED THAT THE WORLD CURRENTLY CONFRONTS A SERIOUS SHORTAGE OF VITAL FOOD STUFFS AND HAS CHARGED THAT US IS SAFEGUARDING DOMESTIC CONSUMPTION AT THE EXPENSE OF FOREIGN CLIENTS. LE FIGERO'S ANALYSIS OF US MOTIVES IS ACTUALLY MODERATE WHEN COMPARED TO THAT OF SOME OF THE LESS RESPONSIBLE FRENCH PRESS.

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PAGE 01 PARIS 19464 02 OF 02 162008Z

73

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6. VIEWS OF HIGH LEVEL FRENCHMEN ON THE IMPACT OF A POSSIBLE SHARP CUTBACK IN US FARM EXPORTS ON FRENCH TRADE, DOMESTIC PRICES AND AGRICULTURAL POLICY: THERE IS A STRONG CONCERN IN FRANCE THAT SHORTAGES OF VITAL COMMODITIES RESULTING FROM US MEASURES WILL ADD FUEL TO DOMESTIC INFLATION. IT IS STILL TOO EARLY TO ASSESS WHAT, IF ANY, IMPACT THE US MEASURES MIGHT ACTUALLY HAVE ON FRENCH DOMESTIC PRICES. BUT IF SERIOUS MEAT SHORTAGES DO DEVELOP, IT IS LIKELY THAT THEY WILL BE REFLECTED IN HIGHER CONSUMER COSTS FOR MEAT AND OTHER ANIMAL PRODUCTS.

7. POSSIBLE CHANGES IN FRENCH AGRICULTURAL AND TRADE POLICIES
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PAGE 02 PARIS 19464 02 OF 02 162008Z

AS RESULT OF US CONTROLS: GOF HAS NOT YET ADOPTED ANY OFFICIAL MEASURES IN RESPONSE TO THE US CONTROLS. STOP GAP MEASURES SUCH AS AN INCREASE IN THE DENATURATION PREMIUM FOR POWDERED MILK ARE LIKELY. MORE IMPORTANTLY, THE MINISTER OF AGRICULTURE HAS ALREADY ANNOUNCED THAT THE GOF WILL INTENSIFY ITS EFFORTS ON BOTH NATIONAL AND EC LEVELS TO ENCOURAGE THE PRODUCTION OF VEGETABLE PROTEIN FROM SOURCES OTHER THAN US SOYBEANS.

8. INFLUENCE OF EXPORT CONTROLS ON FRENCH POSITION IN MULTILATERAL TRADE NEGOTIATIONS: THE US ACTION HAS CLEARLY REINFORCED THE ALREADY STRONG FRENCH VIEW THAT EUROPE SHOULD AIM FOR MAXIMUM AGRICULTURAL SELF-SUFFICIENCY. WE EXPECT THAT THE FRENCH WILL BE EVEN LESS WILLING THAN PREVIOUSLY TO DISCUSS THE POSSIBILITY OF INCREASED US ACCESS TO EC AGRICULTURAL MARKETS. THE CURRENT SHORTAGES IN FEED GRAINS AND CERTAIN OTHER COMMODITIES WILL ALSO STRENGTHEN THE FRENCH POSITION IN SUPPORT OF THE INTERNATIONAL COMMODITY AGREEMENT APPROACH IN THE MTN. IN EFFECT, THE GOF IS NOW POINTING TO THE US EXPORT RESTRICTIONS AS GRAPHIC PROOF OF THE LONG-STANDING ARGUMENT THAT THE US IS NOT A RELIABLE SUPPLIER AND THAT OUR SEARCH FOR "LIBERALIZATION" OF AGRICULTURAL MARKETS IS UNREALISTIC.

9. IMPACT OF US ACTIONS ON PLANNING AND NEGOTIATIONS WITH RESPECT TO THE CAP: AS NOTED ABOVE, US EXPORT RESTRICTIONS HAVE

CLEARLY REINFORCED THE FRENCH VIEW THAT EUROPE SHOULD STRIVE TO LIMIT AS MUCH AS POSSIBLE ITS DEPENDENCE ON FOREIGN (I.E. US) SOURCES FOR VITAL COMMODITIES. MOST IMMEDIATELY, THE US MEASURES HAVE IMMEASURABLY STRENGTHENED THE HAND OF THOSE GOF AGENCIES (MINAG) WHO WANT TO PUSH FOR A SOYBEAN CAP, AND WE CAN EXPECT THAT THE FRENCH WILL PRESS THIS POSITION STRONGLY ON BRUSSELS.

DECONTROL FOLLOWING DECEMBER 31, 1974.

IRWIN

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